

bonds, subject to the 3%, 1½%, 2½% limitation discussed in "County Debt and Other Long-Term Obligations" below affecting creditors' rights.

Ohio law requires the levy during the period in which general obligation bond anticipation notes run of ad valorem property taxes in an amount not less than that which would have been levied if bonds had been issued without the prior issue of the notes. Such levy need not actually be collected if payment in fact is to be provided from other sources (see "Bond Anticipation Notes" herein).

Sources of Payment

In addition to the basic ad valorem property tax security described above, each resolution authorizing the issuance of the County's general obligation bonds or notes issued in anticipation thereof provides further security by making a pledge of the full faith, credit and revenues of the County for the payment of debt service on such bonds or notes as the same becomes due. Included in such general pledge are all funds of the County, except those specifically limited to another use or prohibited from use for such debt service by the Ohio Constitution, or Ohio or federal law, or revenue bond trust agreements, such as tax levies voted for specific purposes, taxes levied for debt service on voted general obligation bond issues, and certain utility revenues. As discussed herein, only voted general obligations are payable from unlimited ad valorem property taxes.

The County expects that the debt service on certain unvoted general obligation debt of the County will in fact be paid from sources other than the ad valorem property tax, such as utility revenues and special assessments. Should these other revenues for any reason become insufficient to pay debt service on the bonds described above, and on any notes issued in anticipation thereof, then the County is required by Ohio law to levy and collect the above-described ad valorem taxes to pay such debt service.

In addition, pursuant to Section 133.08 of the Revised Code, the County may issue Revenue Bonds payable solely from the revenues of the given utility, airport, stadium, or other project permitted by the statute for which the bonds were issued. These bonds are not supported by the underlying taxing power of the County.

INVESTMENT CONSIDERATIONS

All obligations of the County are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial position of the County.

Prospective purchasers of the County's obligations may need to consult their own tax advisors prior to any purchase as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition.

With regard to the risk involved in a lowering of the County's bond rating, see the section on RATINGS herein.

For a further description of the risks associated with the purchase of particular issues of bonds, notes or certificates of indebtedness of the County, please refer to the *INVESTMENT CONSIDERATIONS OR RISK FACTORS* section in the Official Statement for the particular issue of bonds, notes or certificates of indebtedness of the County.

In general, where the County expects to refund a note issue or certificates of indebtedness with an issue of bonds or renewal notes or certificates, and where unfavorable market conditions are combined with an interest ceiling, the County could experience difficulty in receiving any bids for the refunding or renewal issue.

Local Fiscal Emergency Legislation

Chapter 118 of the Revised Code of Ohio (hereinafter in this section of this Annual Statement the "Act") provides methods for dealing with fiscal emergencies of municipal corporations, counties and townships in Ohio. The Act applies only to those municipal corporations, counties and townships which are determined to have circumstances that constitute the existence of a fiscal watch or a fiscal emergency condition and therefore a fiscal watch or a fiscal emergency pursuant to Sections 118.021, 118.022, 118.03 and 118.04 of the Revised Code, as set forth in the Act.

Section 118.022 of the Ohio Revised Code sets forth a series of conditions that constitute grounds for a fiscal watch. If a fiscal watch is determined to exist, the municipality, county or township is provided technical and support services by the State Auditor's Office to restore financial stability. If the fiscal watch conditions are not remedied, the municipality, county or township will remain under fiscal watch or be reclassified to a fiscal emergency.

Section 118.03 of the Ohio Revised Code sets forth a series of circumstances that are defined "fiscal emergency conditions." If a fiscal emergency condition is determined to exist, the municipality, county or township is subjected to state oversight through a seven-member Financial Planning and Supervision Commission (hereinafter in this section of this Annual Statement the "Commission"). The Commission is assisted by certified public accountants designated as the Financial Supervisor to be engaged by the Commission. The Auditor of State may also be required to assist the Commission.

A municipal corporation, county or township subject to the Act because of the existence of a fiscal emergency must develop and submit a detailed financial plan for the approval or rejection of the Commission. Among other matters, the financial plan must show the actions to be taken by such a municipal corporation, county or township to eliminate existing fiscal emergency conditions, avoid future fiscal emergency conditions, and to restore such a municipality's, county's or township's ability to market long-term debt obligations under state laws generally applicable to Ohio political subdivisions.

The Commission must approve the amount and purpose of any issue of debt obligations. The Commission, or when authorized by the Commission, the Financial Supervisor, among other powers, shall require the municipal corporation, county or township to establish monthly levels of expenditures and encumbrances consistent with the financial plan and shall

monitor such monthly levels and require justification to substantiate any departure from an approved level. The Commission must disapprove the issuance of debt obligations if the issuance would impede the purposes of the financial plan or be inconsistent with the financial plan or the Act; debt limits would be exceeded; the ability of overlapping subdivisions to issue unvoted faith and credit debt obligations would be impaired; and their issuance would be likely to lead to the reallocation of minimum levies of other political subdivisions. Expenditures may not be made contrary to an approved financial plan. Expenditures may not be made contrary to a proposed financial plan after it is submitted to the Commission and before it is approved or disapproved; and if it is disapproved, no expenditures may be made which are inconsistent with the reasons given for disapproval.

The Act provides, among other requirements and provisions, that a municipality, county or township subject to such Act must develop an effective financial accounting and reporting system; budgets, appropriations and expenditures are to be consistent with the purposes of the financial plan; permits the issuance of Local Government Fund Notes, payable solely from such a municipal corporation's, county's or township's share of the local government fund pursuant to restrictions imposed by such Act; such a municipal corporation, county or township may include certain covenants in its debt obligations, including a state pledge not to repeal such Act; and permits the municipality to issue current revenue notes and advanced tax payment notes pursuant to the authorization and subject to the restrictions of such Act.

The County Auditor has reviewed applicable portions of the Act and has reviewed records pertaining to the County's circumstances with respect to the Act. The County Auditor, based upon her understanding of the Act, is of the opinion that, with respect to the County, no circumstances or conditions exist that will cause a fiscal emergency condition to be determined to exist under the Act.

THE SEWER DISTRICT

The Clermont County Sewer District (the "District") was created and established by resolution of the Board of County Commissioners of the County in 1950, pursuant to what is now Chapter 6117 of the Revised Code. The boundaries of the District are coterminous with those of the County.

After the District was created, various boards of county commissioners created four subsewer districts within the District, to wit: Pierce-Union-Batavia Subsewer District (the "P-U-B Subsewer District"), Miami-Goshen-Stonelick Subsewer District (the "M-G-S Subsewer District"), Felicity-Franklin Subsewer District, and Bethel-Tate Subsewer District. The District itself was never dissolved. From time to time the County acquired, constructed, and expanded sewer systems in all four subsewer districts, and acquired, constructed, and expanded waterworks systems in the P-U-B and M-G-S Subsewer Districts. The sewer and waterworks systems of P-U-B and M-G-S Subsewer Districts were financed primarily through the issuance of revenue bonds secured by a pledge of and lien upon the revenues of the respective subsewer districts.

On January 13, 1977, the Board of County Commissioners of the County by resolution determined to re-establish the District through the consolidation of all existing